AMO REPORTS 82-22

BILL 179 - AN ACT RESPECTING THE RESTRAINT OF COMPENSATION IN THE PUBLIC SECTOR OF ONTARIO AND THE MONITORING OF INFLATIONARY CONDITIONS IN THE ECONOMY OF THE PROVINCE

THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO
NOVEMBER 1982

ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Association of Municipalities of Ontario, a non-partisan voluntary organization, is united to promote the values of the municipal government system and the status of the municipal level of government as a vital and essential component of the total intergovernmental framework of Ontario and Canada.

The Association acts as the collective voice of Ontario's municipal governments and is organized to accomplish through cooperation and coordination, what the majority have neither the time nor the resources to do individually.

The Association represents some six hundred (600) municipal governments throughout Ontario. The governing body is composed of some eighty (80) municipal elected and appointed officials, who in turn represent a wide-range of municipal government interest.

The following sections and affiliated municipal professional associations form an important part of the Association's structure and therefore, play an important part in its activities in terms of the Board of Directors, program and policy development:

Association Sections:

* County and Regional Section
* Large Urban Section
* Northern Ontario Section (FONOM/NOMA)
* Rural (ROMA) Section
* Organization of Small Urban Municipalities Section

Association Affiliates:

* Association of Municipal Clerks and Treasurers of Ontario
* Association of Municipal Tax Collectors of Ontario
* Municipal Engineers Association
* Ontario Municipal Administrators Association
* Ontario Municipal Personnel Association
* Ontario Municipal Social Services Association
* Society of Directors of Municipal Recreation of Ontario

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AMO RESPONSE TO BILL 179 - AN ACT RESPECTING THE RESTRAINT OF COMPENSATION IN THE PUBLIC SECTOR OF ONTARIO AND THE MONITORING OF INFLATIONARY CONDITIONS IN THE ECONOMY OF THE PROVINCE

Introduction

Municipal governments in Ontario, in response to the current state of economic conditions in Canada and Ontario, and the proposals emanating from the Federal Government regarding public and private sector restraint, forwarded to the Association of Municipalities of Ontario, a number of resolutions for consideration and action by its Annual Conference in August of this year.

In reviewing this matter, including the statement to the Opening General Session of the Conference by the Hon. Claude Bennett, Minister of Municipal Affairs and Housing, to the effect that the local government sector should not anticipate an increase in provincial transfer payments from the Province in 1983, the Annual Conference adopted a special resolution on the subject of restraint. The resolution states:

> *Provincial/Municipal Initiatives on Economic Restraint*
>
> *Whereas municipal initiatives to exercise economic restraint are affected by the policies, legislation and regulations of the federal and provincial governments (and in particular, are highly dependent upon complementary initiatives by the Government of Ontario);*
>
> *And whereas the Association of Municipalities of Ontario is unaware of the course of action, if any, to be taken by the Government of Ontario in this respect;*
>
> *Therefore be it resolved that AMO record its support for a program of fiscal restraint which will lead to a reduction in the rate of inflation and the negative effects of the current economic situation on our citizens;*

And further be it resolved that AMO note its willingness to work with the Province to develop a program of effective legislation that will allow municipalities to control their expenditures and the impact of inflation on their taxpayers;

And further be it resolved that any policies, legislation or guidelines implementing economic restraints apply to both wages and prices in both the public and the private sectors, and that the Province be urged to immediately initiate discussions with AMO on this program.

Having reviewed the proposed legislation, and in view of the resolution adopted by the 1982 Annual Conference, the Association wishes to commend the Government of Ontario for what appears will result in a most efficient restraint program.

The Association believes that these control methods are mainly straightforward and should result in implementation requirements far less cumbersome than the Anti-Inflation Board controls initiated by the Federal Government in the mid 1970's.

However, the Association does wish to record certain concerns with respect to specific provisions within the proposed legislation, and as well, it wishes to offer comment on the proposed program as it applies to local government as a partner and a participant within the public sector restraint process.

Bill 179

1. The proposed legislation provides that contracts expiring during the control period are automatically extended for a twelve month period and further stipulates the amendments to be made to the compensation plan at the time of renewal. This tends to automatically suspend the right to strike, lock-out or recourse to arbitration and yet no such provision can be found in the legislation.

   The Association believes that the omission of such a clause (potentially) leaves the issue open to debate and perhaps subsequent legal recourse.

For this reason, the Association recommends that a provision be included in the legislation. For example, a simple statement similar to that contained in the overview prepared by the Ministry of Treasury and Economics would actually clarify the Government's intent. The statement referred to reads as follows:

> Recourse to strikes and to binding arbitration will be suspended since a contract is always in effect.

To further substantiate the Government's intent, we would make reference to Section 15 of the Bill where provision is made to amend any terms and conditions of the collective agreement other than compensation rates or other terms and conditions of the compensation plan, **by agreement only**.

One would automatically assume that, if amendments cannot be mutually agreed upon by the parties, then the existing terms would continue.

The Association therefore recommends a "no strike, lock-out and arbitration" clause which will more adequately express the intent of the Government.

2. The Association notes that the proposed legislation does not contain specific reference to a "sunset provision". The Association would therefore recommend that an expiry date be inserted into the legislation. That date, of course, would be September 30th, 1984.

3. Section 6(1)(i) applies to compensation plans of privately-owned para-public sector companies contracted to or funded by the Province, a municipality or other government agency for the provision of public services.

   Concern has been expressed to the Association that, where such contracts provide an annual escalation feature during the term of the contract, the benefit accruing to the referred contractor resulting from the application of the restraint program to employees' compensation plans may not be passed through to the contracting municipality.

The Association urges the Justice Committee to examine this question and to make such necessary revisions to the legislation in order to ensure that the results of the program are indeed passed through to local government.

Inflation Restraint Process - Fiscal Impact on Municipal Governments

As stated previously, the Association has gone on record as supporting wage and price restraint in the public and private sectors and has recorded its willingness to work with the Government of Ontario with respect to such matters as would apply to the municipal government sector of the economy.

In this connection, while the Association recognizes the current difficulties of the Province with respect to fiscal resources, it would suggest that the municipal property tax base, that is for the greater part of the municipal sector, is already constrained and contains little, if any, opportunity for flexibility within the decision-making process. In addition, municipal governments have over the past number of years carried out a program of fiscal restraint with respect to municipal government expenditures, that is, to the best extent possible given the limited authority of municipal government over provincially mandated programs and the spending of special purpose boards and commissions.

However, in supporting the proposed provincial program, the Association suggests that public sector restraint will also require important commitments on the part of the Government of Ontario and its special purpose boards and commissions. To this point the Association suggests that what is required is a coordinated approach within the Ministries of the Government when dealing with government programs affecting municipalities.

If provincial transfer payments are to be restrained in recognition of the reality of the Province's present fiscal difficulties, then every effort must be made to avoid the shifting of provincial program costs to the municipal level.

The following lists a few, but not all, of the examples with respect to the foregoing:

- Application of new sales tax provisions upon the local government sector

- Increase in Ontario Hospital Insurance Premiums

- Rate adjustments to provincial mandated programs, e.g., G.W.A. Benefits

- Proposed integration of F.B.A./G.W.A.: case load and administrative costs

- Cost implications of new provincial programs, e.g.,the Health Protection Act, and Core Health Programs

- Minimum Standards for Fire Protection under the Occupational Health and Safety Act, particularly as applies to smaller municipalities and voluntary fire service establishments

- Provincial initiatives in deinstitutionalization

- Ministry Program Reviews, e.g. Proposal of the Ministry of the Environment to transfer responsibility for private sewage systems to municipal governments without compensation

All of the foregoing represent a cumulative and important impact on municipal government operations and transfer additional and heavy responsibilities upon an already constricted property tax system. In the spirit of the program, it appears appropriate to the Association that a moritorium should be applied by the Government of Ontario to the transfer of additional program costs during the period of restraint.

Transfer Payments

With respect to the Minister's announcement to the 1982 Annual Conference of the Association on transfer payments and the public sector restraint program, the Association wishes to draw to the Government's attention the following points.

Most municipal employee compensation plans will now escalate in accordance with the provisions for the major control year period - October 1, 1982 through September 30th, 1983.

However, some public sector contracts (our major concern is with Health Units, Homes for the Aged, and Boards of Education) will fall under the transitional provisions of the legislation, whereby agreements with expiry dates prior to October 1, 1982 will be permitted to increase the compensation plan to an upward limit of 9%.

At this time it would appear to the Association that it would be extremely unusual for any of these transitional settlements to be below 9%.

Therefore the Association would urge the Government of Ontario to take into account such factors as the transitional provision when dealing with 1983 transfer payments. The Association suggests that recognition must be given to the fact that the major restraint period for persons falling within this area of the program, will not be implemented until the latter part of 1983.

There will be additional "pass through" costs which will impact upon the municipal budget process over and above the limitations expressed in the restraint program.

The Association proposes that the level of the transfer payments to the municipal government sector should take into consideration not only the foregoing, as well as the additional responsibilities already placed upon municipal budgets by the Government of Ontario, but should be, at the very least, commensurate with the overall objectives of the Government's restraint program.

The Association therefore requests that the Government of Ontario provide transfer payments, both conditional and unconditional, at a level that will meet the existing and future obligations of municipal government on a fair and equitable basis.

Other Matters

- Post Control Period - some thought on the part of the Government and the municipal sector should be given to the possible impact on the municipal sector during the period of post controls. In this

regard, AMO proposes that consideration of this question include examination and response to the 1980 AMO Paper on Compulsory and Binding Arbitration.

- The Association requests clarification with respect to the issue of Administered Prices and the term "economic criteria" by which price increases shall be reviewed.

Future Initiatives

If there are to be future initiatives taken on the part of the Government of Ontario, with respect to the foregoing, which will have an impact on the municipal government sector, then the Association would request the opportunity to consult with the Province prior to implementation.

Respectfully submitted,

Association of Municipalities of Ontario.

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